

Automobile

Jan 26 TIV Moderates; Earnings Growth Intact for 4Q25

Highlights

- Sector earnings are expected to register a sequential growth of 3.5% to 7.5% qoq in 4Q25 driven by higher sales volumes.
- MAA's TIV for Jan 26 declined mom to 64,298 units due to the normalisation of sales, but improved yoy on spillover demand from new model launches at end-25.
- We expect slower sales momentum throughout 1Q26 due to the festive season, in line with our forecast of TIV moderating to 790,000 units (-3.6% yoy) in 2026. We maintain MARKET WEIGHT on the sector.

Analysis

- **4Q25 outlook: Sequential growth from higher sales volume.** We expect 4Q25 sector earnings to register a sequential growth of 3.5% to 7.5% qoq, mainly supported by higher sales volume recorded by companies under our coverage.
 - a) Sime Darby's 2QFY26 earnings are projected at RM350m-RM360m, implying 3.6% to 5.5% qoq growth. This is expected to be driven by modest sales of Perodua and Toyota during the quarter as well as positive parts price revision within the Industrial division. However, the motors division is expected to remain weak given the slowdown of China's automotive market and continued heavy discounting among local players.
 - b) Pecca is expected to sustain its earnings momentum in 2QFY26, with net profit projected at RM16.5m-RM18.0m or +7% to +16% qoq, underpinned by strong Perodua production volumes and higher contribution from export sales to the US market.
 - c) We anticipate BAUTO to continue delivering sequential growth in 3QFY26, with earnings are projected at RM20m-RM25m or +16% to +40% qoq. This would be primarily driven by strong sales of Mazda 3, which was reflected in improving Mazda sales volume between Nov 25-Jan 26 (+25% qoq).
- **Jan 26 sales volume moderated mom from a high base.** Malaysia Automotive Association's (MAA) total industry volume (TIV) for Jan 26 came in at 64,298 units (+27.5% yoy, -29.1% mom) (refer to RHS table (MAA Jan 26 TIV)). The mom moderation in sales volume was broadly within expectations following strong advance purchases in Dec 25, which recorded a historic monthly high. On yearly basis, TIV increased due to spillover demand from bookings of new models launched toward the end of 2025, coupled with a low base effect from the previous year.

MARKET WEIGHT (Maintained)

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Segmental Rating

Segment	Rating
Malaysia	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price Target Price	
			(RM)	(RM)
Pecca	PECCA MK	BUY	1.68	2.04

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price	Target	Upside	Last Year End	PE			Yield	ROE	Market
			20 Feb 26 (RM)	Price (RM)	To TP (%)		2025A (x)	2026F (x)	2027F (x)	2026E (%)	2026E (%)	Cap. (RMm)
Sime Darby	SIME MK	HOLD	2.30	2.40	4.3	Jun-26	13.5	12.8	12.5	6.1	10.7	15,685.7
Bermaz Auto	BAUTO MK	HOLD	0.87	0.75	(13.8)	Apr-26	6.2	13.6	9.6	6.9	11.8	1,020.5
Pecca Group	PECCA MK	BUY	1.68	2.04	21.4	Jun-26	20.2	17.1	14.0	3.8	26.0	1,260.0

Source: Bloomberg, UOB Kay Hian

- **National brands gained market share.** Sales of Perodua declined 29% mom to 26,128 units but maintained its leading market share of 43%. Notably, Proton delivered a strong performance, with sales rising 46% mom to 19,750 units, primarily driven by robust demand for its newly launched models of Proton Saga MC3 and E.Mas 5. This contributed to rising market share of national brands from 69% to 76% in Jan 26, reflecting resilience in demand for budget-friendly models.
- **Non-national brands weakened after a modest performance in Dec 25.** Sales of major Japanese brands, Honda and Toyota, declined sharply to 2,975 units (-72% mom) and 3,187 units (-67% mom) respectively, following the conclusion of their year-end promotional campaigns. A similar trend was observed among key Chinese brands with BYD sales falling to 1,409 units (-34% mom) after advance purchases of EVs in Dec 25; meanwhile, Chery's sales declined to 1,287 units (-13% mom) and Jaecoo dropped to 1,230 units (-34% mom).
- **Maintaining our 2026 TIV forecast of 790,000 units (-3.6% yoy).** Despite the higher sales yoy, we maintain our forecast of a 3.6% drop in TIV for 2026. This reflects our view that the local automobile sector has entered a normalisation phase, with sales expected to fall gradually in the near term amid limited catalysts that can drive consumer demand apart from new model launches. Vehicle sales are also expected to continue softening throughout 1Q26 due to the festive season before picking up in the following months.

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** Our sector call factors in a moderation in TIV following two consecutive years of elevated sales alongside limited catalysts to drive demand growth in 2026. Our selection remains focused on beneficiaries of sustained demand in the mass market segment, such as Perodua and Pecca. Beyond local automotive exposure, Pecca offers exciting growth potential in the aviation industry and export markets while continuing to ride on resilient sales volumes from national brands.

Sector Catalyst/Risk

- Stronger-than-expected TIV numbers.
- Major incentives from the government to accelerate EV adoption.

TOP Key Marques YTD

Make	Sales (Units)		Market Share (%)		Ranking	
	Jan 26	Jan 25	Jan 26	Jan 25	Jan 26	Jan 25
Perodua	26,128	23,245	43.3	49.4	1	1
Proton	19,750	9,688	32.7	20.6	2	2
Toyota	3,187	3,937	5.3	8.4	3	3
Honda	2,975	3,413	4.9	7.3	4	4
BYD	1,409	505	2.3	1.1	5	11
Chery	1,287	886	2.1	1.9	6	6
Jaecoo	1,230	792	2.0	1.7	7	7
Mazda	894	691	1.5	1.5	8	8
Others	3,509	3,862	5.8	8.2	n/a	n/a
Passenger	60,369	47,019	93.9	93.2		
Commercial	3,929	3,430	6.1	6.8		
TIV	64,298	50,449				

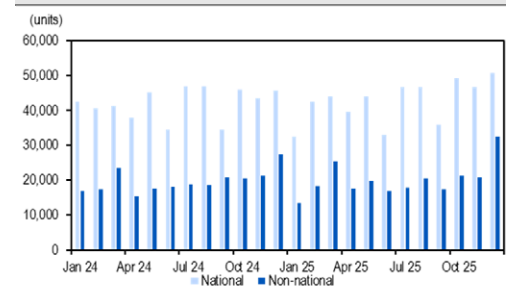
Source: MAA

MAA Jan 26 TIV

	Jan 26	yoy % chg	mom % chg
Passenger	60,369	28.4	(27.4)
Commercial	3,929	14.5	(48.1)
TIV	64,298	27.5	(29.1)

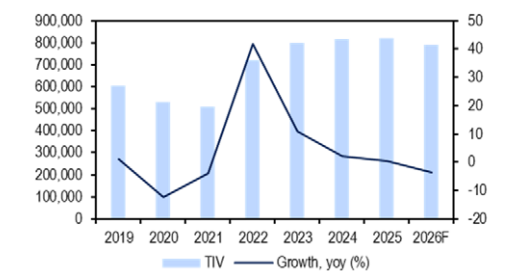
Source: MAA, UOB Kay Hian

National And Non-National Sales



Source: MAA

Yearly TIV Numbers



Source: MAA, UOB Kay Hian

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